DoD
PACKAGING PILOT PROGRAM
Status Update

SPI Executive Council

27 March 2000

Background

- **OSD directs pilot implementation**
  - GEAE Evendale, Lynn / GEES Strother, Ontario, Cincinnati
  - Honeywell Phoenix / Tempe/Tucson
- **Formal OSD Pilot Program Consulting Group Oversight**
  - Oversight, Metrics, Lessons Learned & Reporting
- **Pilot Program executed by Block Change modifications**
  - All existing contracts and orders at participating facilities
  - Prime contractors enable GE/AS to utilize commercial packaging arrangements on all subcontracts
- **Rapid Improvement Team Deployment**
  - Guideline Development and Scorecard

GEAE and Honeywell Metrics

- Quantitative metrics show positive trends
  - Cost Reductions/Savings are occurring
  - Cycle Time is being reduced
  - No warranty returns due to packaging problems
  - Insufficient data to date for statistical inferences
- Innovations are being implemented
- Anecdotal information positive

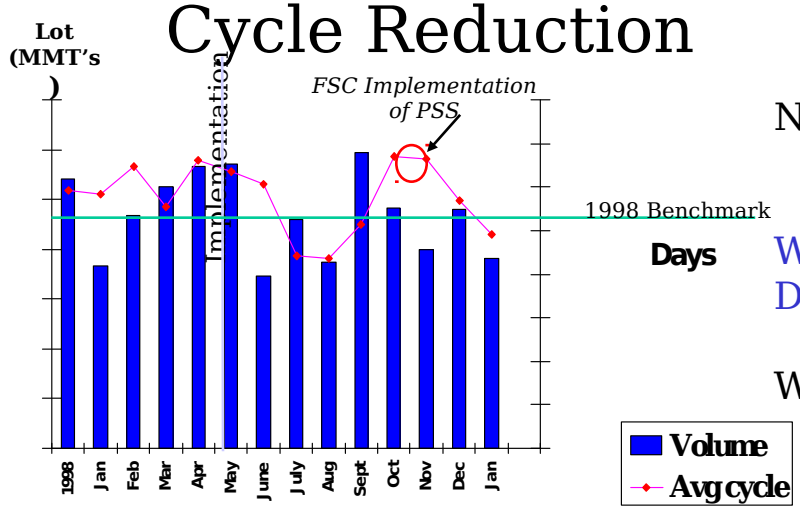
New Honeywell Sites Being Added

- Aerospace Electronic Systems
  - Boyne City, Michigan
  - Aircraft Instruments
  - Implementation: 1 May 2000
- Engine Systems and Accessories
  - Rocky Mount, NC
  - Hydromechanical Controls
  - Implementation: 1 May 2000

Back Up Slides

GE Aircraft Engines

Cycle Reduction



Quality

Number of Reports of Discrepancy (RoD's) since implementation (5/3/99) -- 7

Wrong Quantity in a unit pack -- 4

Discrepant Label -- 3

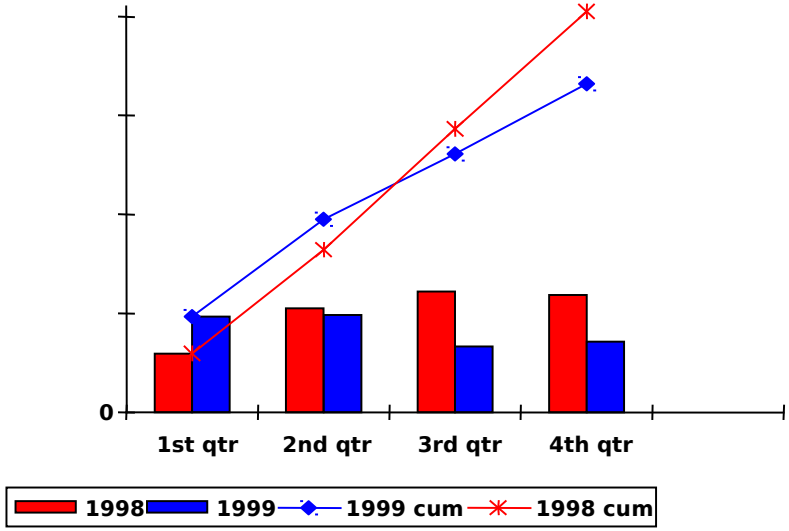
Warranty Returns -- 0

Zero Container Failures

Packaging Innovations

- Three reports submitted
  - Blades in bags
  - No metal caps
  - Source packaging
  - Fiberboard container edge crush test criteria
- Increased Automation
- Rationalized fiberboard across GEAE sites
- Developing a Foam in Place Replacement--Plastics Reduction

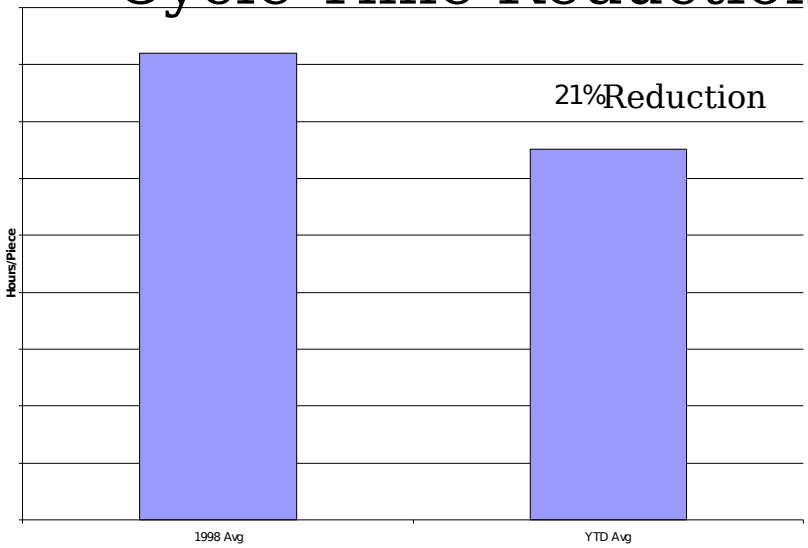
Packaging Material Costs



Honeywell

Military Packaging Pilot Stat

Cycle Time Reduction



Quality

	12 Mo.	YTD.
Number of Pieces Shipped		412K
Number of Warranty Returns	2	0
Percentage of Warranty Returns	0%	0%

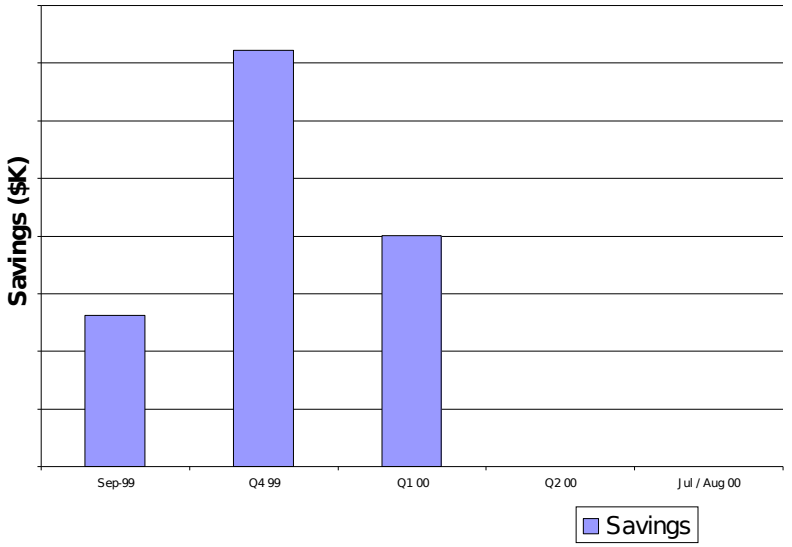
Currently monitoring warranty to detect any packaging related discrepancies

Zero Packaging Deficiencies since Pilot Implemented

ackaging Innovations Underway

Innovation	Status
• Foamed cavity insert	On order
• Eliminating anti-static bags where not needed	Implemented
• Eliminated intermediate set up cartons	In Process
• Reduced wrapping	In Review
• Eliminated humidity indicator	No Savings
• Eliminated daily heat seal test (do quarterly)	

Packaging Material Savings



What Do You Think of the Pilot Program?

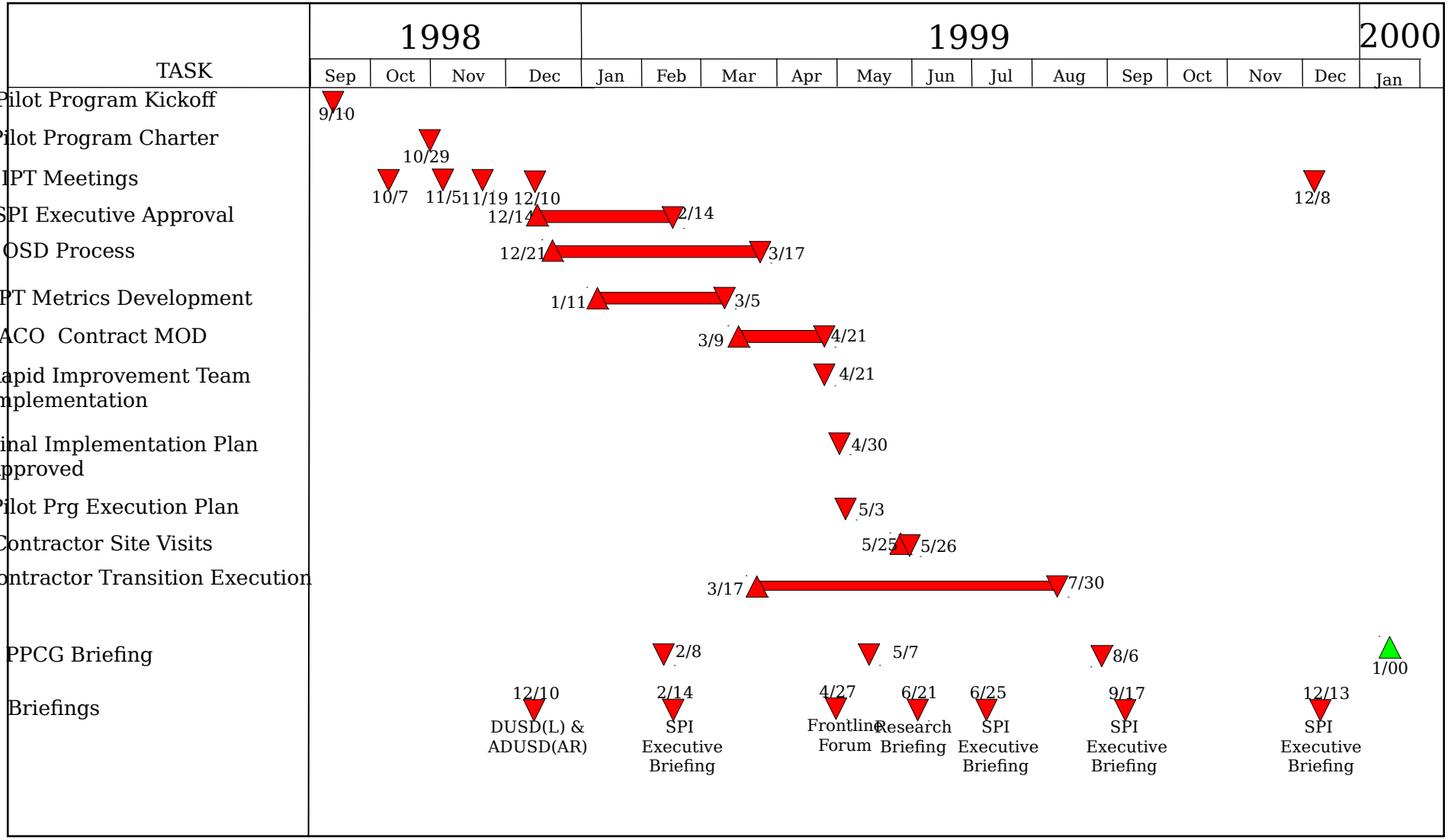
- Contractor Comments:
  - *"Process, material and equipment groups are all participating."*
  - *"Shipping folks are taking immediate action and are now empowered."*
  - *"Has acted as a catalyst for areas other than packaging."*
  - *"New ideas are pushing the envelope."*
  - *"The packaging suppliers have been challenged."*
- DCMC Comments:
  - *"Working very well."*
  - *"More rapid and open communication; routine meetings are now the norm."*

Pilot Contractor as a Subcontractor

Flow Up of Commercial Packaging Practices

Existing subcontracts. Where [*pilot contractor*] is a subcontractor and the subcontract specifies packaging in accordance with a version of Mil-Std-2073 or any standard other than the contractor's commercial packaging practices, DCMC shall notify the prime contractor that [*pilot contractor*] is participating in a Pilot Program and is authorized to package items using its standard commercial packaging methods. The DoD buying activity shall modify the prime contract, if necessary, to allow [*pilot contractor*] to use its commercial packaging practices in performance of its subcontract

Packaging Pilot Schedule



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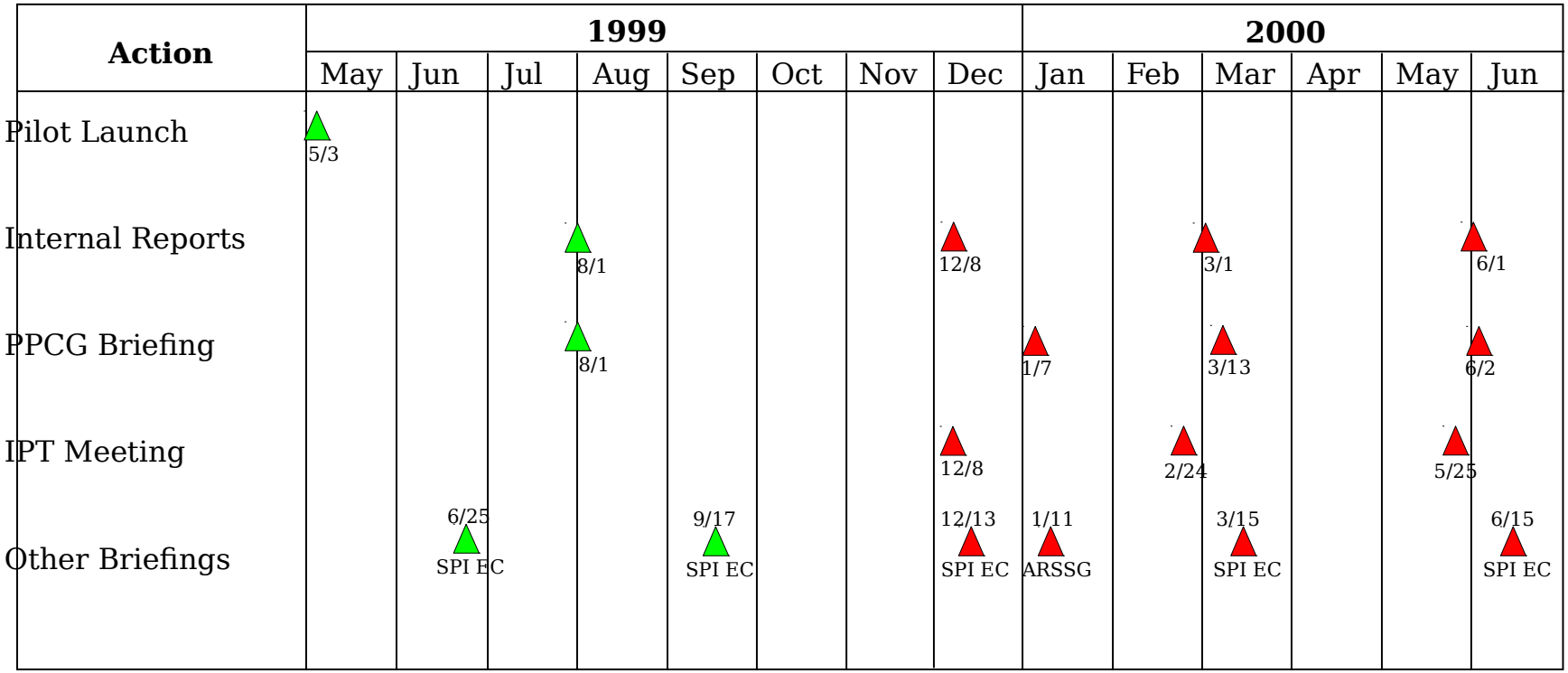
PLAN FOR REPORTING AND EVALUATING RESULTS



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Balanced Scorecard

Commercial Packaging Pilot Program

	KEY PERFORMANCE FACTORS							
	Quality Protection		**Cost of Packaging**	**New Process Operating Cost**	**Minimization of Plastics**	**Pak Cycle Time**	**Innovation**	
Goals (in priority order)	No more than 1% (project code items) returns under warranty	Zero Safety Problems Zero impact on readiness	(By end of program) Reduct-ion in overall Pak costs of 10% over current baseline to package military items	No increase in cost of O&M due to innovation for program code item	No increase in quantity of plastic materials over 3 years No decrease in marine degradable materials over 3 years	Reduce Pak cycle time by 10%	Tested innovations within 1 year reported to IPT that can be transferred 10% increase per year	Clear input of end user RQMB, lower hassle of Introducing Innovation, increase in items offered by DoD Pac specialist
Performance Measures	# of package failure results in part damage/failure	Survey of end-user satisfaction	Dollars	Track O&M costs trend for program code items	Vendor efforts to reduce plastics & increase degradables	Time	# of innovations submitted to DoD Log when submitted (briefing)	Survey of Vendor Personnel
Performance Drivers	Supply Discrepancies Reports Warranty Cards (DCMC, DLA, AMS)	Interview, Questionnaire or observation with immediate reporting	Calculate the difference be-tween baseline military packag-ing costs and pilot program military packag-ing costs. Report periodically as required	Surveys-sample incrementally to baseline & look for trends Report of survey Trends out of depots/Users on DD1225/364s	Visit every 6 months for observations & discussions Vendors report on actions taken	Baseline Log in/Log Out of current Mil Pak vs innovation Sampling done along with cost baseline	Review Log at IPT meetings	Survey prior to IPT meeting
Action Officer	F Local DCMC Rep will log R Industry Rep will review	F IPT Sub Team	F Local Vendor Site	PMCPs Roll up to IPT	F Frank Sechrist R Local Vendor Site	F Local Vendor Site	F Local Vendor Site	F IPT Sub Team

Proposed Pilot Program Expansion

- Current Pilot is “engine” focused
  - Minimal data to date
  - Provides little insight into other commodities
  - Data gathered to date insufficient to support any macro policy decisions
- Proposed Pilot Expansion
  - Broaden Pilot to include other Sectors within the two contractors’ business base.
  - Use existing two commercial POCs as liaison
  - Apply Packaging Scorecard and Metrics review process
  - Utilize existing packaging IPT for technical coordination
  - Identify and implement expansion during 2nd & 3rd quarter FY00
  - Gather objective data to support policy development

Expansion Candidates
(Initial Candidate List)

- AM General Corp South Bend, IN
- B.F. Goodrich Landing Gear Cleveland, OH
- Bell Helicopter Textron Ft. Worth, TX
- Boeing Aircraft and Missile Philadelphia, PA
- Boeing Aircraft and Missile Wichita, KS
- L-3 Communications East Camden, NJ
- Lockheed Martin Astronautics Denver, CO
- Lockheed Martin Vought Systems Dallas, TX
- Northrop Grumman St. Augustine, FL
- Raytheon Missile Systems Tucson, AZ
- Raytheon Systems Ft. Wayne, IN
- Rockwell Collins Cedar Rapids, IA
- Sikorsky Aircraft Stratford, CT
- Sundstrand San Diego, CA